

Maintaining the Health Care Safety Net

Expanded Health Care Coverage for California's Uninsured Families

The Administration has continued its commitment to enroll uninsured Californians into State-sponsored health insurance programs by funding caseload associated with recent expansions within the Healthy Family Program (HFP) and the Medi-Cal program. These caseload expansions now cover 1.3 million previously uninsured beneficiaries (see Figure A).

HEALTHY FAMILIES PROGRAM

The Administration is continuing its commitment to provide health care coverage to all eligible uninsured children. In January of 1999, 50,000 children were enrolled in the HFP. This Administration launched an aggressive outreach campaign, expanded eligibility, and dramatically simplified the application process. As a result of these efforts, enrollment is expected to reach 559,000 children by June 30, 2002, and projected to reach 644,000 children by June 30, 2003 (see Figure B). Despite the economic downturn, the Administration has committed to include funding to provide coverage for all eligible children in California, so no child will ever be placed on a waiting list for coverage under this program.

Figure A

Expanding Health Care Coverage To 1.3 Million Californians

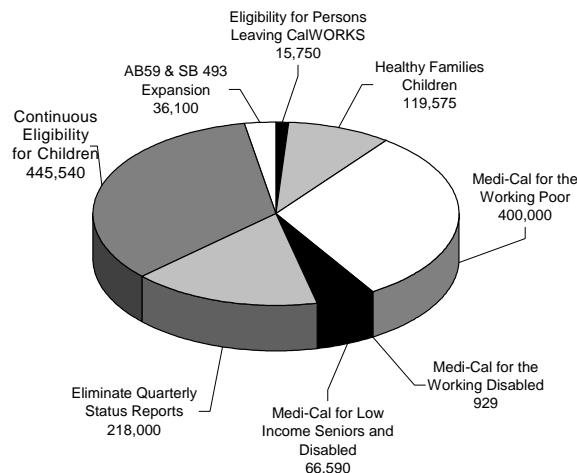
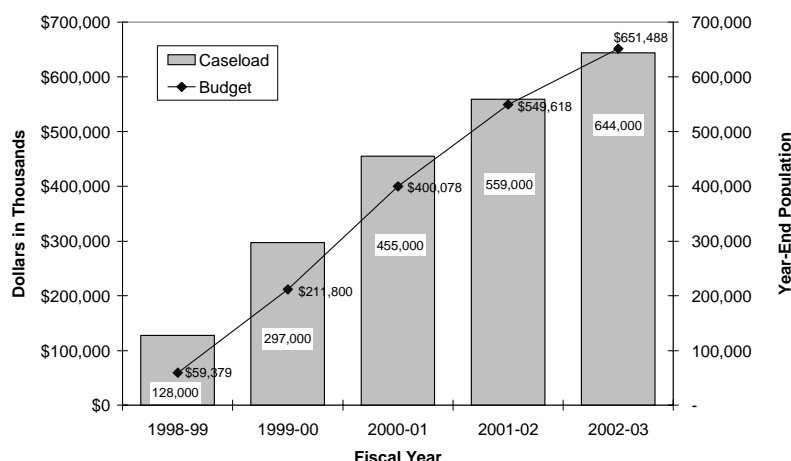


Figure B

Healthy Families Program Expansion



HFP expenditures grew from \$290.5 million (\$96 million State funding) in 1999-00 to \$795.1 million (\$289.1 million State funding) in 2002-03, an increase of \$193.1 million State funding, or 201 percent. During the same period, year-end caseload is estimated to grow from 296,500 children to 644,000 children by the end of June 30, 2003. This Administration has provided total cumulative four-year funding of \$2.4 billion (\$839.8 million State funding) for the HFP.

Due to the recent economic downturn, the Administration is proposing to delay HFP Parent Expansion until July 2003. Because of this delay, the Budget reflects Tobacco Settlement Fund savings of \$54.3 million in 2001-02 and \$160.5 million in 2002-03. This funding has been redirected to ensure adequate funding for all children eligible for the HFP or Medi-Cal program. The Administration will continue to pursue approval of the waiver for the Parent Expansion from the federal government.

MEDI-CAL

Because of the delay in the proposed HFP Parent Expansion, the Administration reduced funding for Medi-Cal/HFP outreach activities. The Budget proposes to reduce a total of \$20.7 million in media campaigns and other outreach activities for adults. However, the Administration proposes to retain the \$6 million augmentation for school-based outreach to children.

In addition, the Budget proposes to implement two bills signed into law that will further expand access to health care for California's uninsured children through Express Lane eligibility, as follows:

- ❖ Chapter 894, Statutes of 2001 (AB 59), will facilitate enrollment into the HFP and the Medi-Cal program for uninsured school children who are receiving free school lunches under the National School Lunch Program. This new expansion will result in approximately 21,200 additional children in 2002-03 and nearly 35,000 additional children in 2003-04 receiving health coverage.
- ❖ Chapter 897, Statutes of 2001 (SB 493), will expand the ability of families receiving food stamps to enroll in the HFP and the Medi-Cal program by requiring counties to send HFP and Medi-Cal enrollment information to families receiving food stamps upon annual eligibility redetermination. It is expected that this expansion will result in an additional 14,900 parents and children receiving health coverage in 2002-03.

The 2002-03 Budget provides an augmentation of \$42.1 million (\$21 million General Fund) to support these expansions.



Moreover, despite the economic downturn, the Administration has maintained recent Medi-Cal program expansions that continue to provide access to health care for more uninsured Californians. Medi-Cal eligibility has been expanded to provide no-cost benefits to:

- ❖ Low-income families with incomes at or below 100 percent of the federal poverty level (FPL).
- ❖ Aged, blind, and disabled persons with incomes below 133 percent of the FPL.
- ❖ Working disabled individuals up to 250 percent of the FPL.

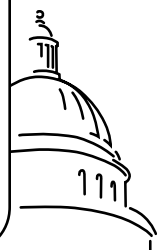
Beginning January 2001, the Administration simplified the complex eligibility process by:

- ❖ Eliminating quarterly status reports.
- ❖ Establishing continuous eligibility for children.
- ❖ Establishing eligibility for persons leaving California Work Opportunity and Responsibility to Kids (CalWORKs) until their annual Medi-Cal redetermination date.

Provider Rates—The 2000 Budget Act included provider rate increases totaling approximately \$800 million (\$403 million General Fund). These rate increases included:

- ❖ Increases ranging from 20 percent to 39 percent for physician services provided under the California Children's Services, Early and Periodic Screening, Diagnosis, and Treatment, and Neonatal Intensive Care Programs.
- ❖ Increases ranging from 4.5 percent to 10.1 percent for providers of long-term care services.
- ❖ Increases ranging from 6.8 percent to 130 percent for physician, dental, home health, medical, and other services.

Given the State's current budget shortfall, it is necessary to partially rescind the 2000-01 rate increases enacted for the latter group of providers above to reflect a savings of \$155.1 million (\$77.6 million General Fund). These reductions will be allocated in such a manner as to leave intact the rate increases for providers of children's services and long-term care services. The Administration views these



reductions as temporary, and intends to restore funding for provider rates when the State's fiscal condition improves.

Additionally, the Budget proposes to require co-payments from Medi-Cal recipients to the extent permitted by federal law. These payments, ranging from \$1 to \$3 (or up to \$5 for emergency room services), will be deducted from provider reimbursements. Net savings are expected to reach \$61.2 million (\$30.6 million General Fund). With this change, California's co-payment requirements will be closely comparable with those of the most populous states.

The DHS will convene a work group to determine the appropriate mechanism to achieve these savings while ensuring that provider rates are no lower than the 1999-00 reimbursement levels. Any necessary adjustments to the Budget will be submitted as part of the May Revision.

Hospital Outpatient Services—This Administration also proposes \$510.1 million (\$255.1 million General Fund) to provide a one-time payment to hospitals to address previous years' reimbursement levels and to increase hospital outpatient reimbursement rates effective July 1, 2001, pursuant to the settlement of the Orthopaedic Hospital lawsuit. Of this amount, the 2001 Budget Act included \$160.1 million (\$80.1 million General Fund) to increase reimbursement rates by 30 percent for outpatient services. In addition to the 30 percent increase, the provider rates for outpatient services will increase annually by an additional 3.33 percent for the next three years.

However, at this time, the federal government has yet to approve federal financial participation for the retroactive payment of \$350 million (\$175 million General Fund). The Administration proposes to proceed with providing the 30 percent rate increase by delinking it from the delayed retroactive payment in order to provide this critically needed funding to hospitals.

Emergency Medical Services

Trauma Support—The 2001 Budget Act included a one-time augmentation of \$30 million for the Emergency Medical Services Authority (EMSA) to enhance California's trauma care system. In the November 2001 *Proposed Reduction in 2001-02 Spending* plan, the Administration suspended the entire \$30 million augmentation for trauma care due to the dramatic decline in General Fund revenues. However, during the 2002-03 Budget development process, spending reductions were made in other areas to accommodate the restoration of the majority of these funds in the current year. As a result, the Administration will be releasing \$25 million to trauma centers in 2001-02. The Administration continues to propose



to revert the remaining \$5 million for local trauma system planning. This funding was provided for one-time planning activities, and Local Emergency Medical Service Agencies may apply to EMSA for federally-funded grants for trauma planning.

Public Health Improvements

Targeting Tobacco Settlement Revenues for Health Care—The 1998 Master Tobacco Settlement requires tobacco companies to make payments to the states totaling an estimated \$206 billion nationally through 2025. California is projected to receive an estimated \$25 billion over 25 years. In 2002-03, the State expects to receive approximately \$474 million. In addition, \$64 million of unspent funds appropriated in 2001-02 are available in 2002-03. Tobacco Settlement revenues are deposited into the Tobacco Settlement Fund (TSF) upon receipt. Proceeds in the TSF are used exclusively to support health care programs. For 2002-03, the following health care programs will be funded from the TSF (see Figure C):

❖ **Healthy Families Program (HFP) (\$247.1 million)**—Health care to uninsured children whose family income is between 100 and 250 percent of the FPL.

❖ **Access for Infants and Mothers (AIM) Program (\$1.6 million)**—Health care for infants within the program between the ages of two months and one year with family incomes that are between 200 and 250 percent of the FPL.

❖ **Medi-Cal Expansion (\$127.1 million)**—A portion of the Medi-Cal eligibility and benefit expansions under Section 1931 (b) of Title XIX of the Social Security Act that will benefit two-parent working families with net family incomes up to 100 percent of the FPL.

❖ **Youth Anti-Tobacco (\$35 million)**—Grants to local nonprofit organizations to reduce smoking among teens and college-aged youth. This amount reflects a \$15 million increase over the 2001 Budget Act funding level. Combined with

Figure C

Tobacco Settlement Fund (Dollars in Thousands)

Revenues	\$474,400
Prior Year Carryover	63,905
Total Resources	\$538,305
Expenditures:	
Healthy Families Children	\$247,156
Access for Infants and Mothers (AIM)	1,636
Medi-Cal Expansion:	
Section 1931(b) of Title XIX of the Social Security Act	127,097
Breast and Cervical Cancer Treatment	16,803
State-Only Breast and Cervical Cancer Treatment	11,113
Prostate Cancer Treatment	20,000
Expanded Access to Primary Care Clinics	17,500
Youth Anti-Tobacco	35,000
Securitization Payment	62,000
Total Expenditures	\$538,305
Ending Balance	\$0



Proposition 99 funds under the Department of Education and the Department of Health Services, the State will spend a total of \$149.5 million in 2002-03 on anti-smoking and tobacco cessation efforts.

- ❖ **Breast and Cervical Cancer Treatment (\$27.9 million)**—Breast and cervical cancer treatment to individuals with incomes up to 200 percent of the FPL.
- ❖ **Prostate Cancer Treatment (\$20 million)**—Prostate cancer treatment to men with incomes up to 200 percent of the FPL.
- ❖ **Expanded Access to Primary Care (\$17.5 million)**—Grants to local community health clinics to provide health care to children with family incomes up to 200 percent of the FPL who are ineligible for either Medi-Cal or the HFP.

Tobacco Settlement Securitization Payment—To prevent further reductions to valuable health care programs, the Budget proposes to issue a \$2.4 billion bond backed by Tobacco Settlement Fund revenues. The bond proceeds will be placed in the General Fund to maintain the health care safety net for the state's most vulnerable residents. The Tobacco Settlement Fund securitization will operate similar to a lease revenue bond, in which a revenue stream, in this case a portion of Tobacco Settlement revenues, will be committed to service debt payments. These debt service payments will equal \$62 million for 2002-03, and \$190 million for 22 years thereafter.

Child Health and Disability Prevention Program—To provide more comprehensive, full-scope health care to children and maximize the use of available federal funds, the Budget proposes to shift the Child Health and Disability Prevention (CHDP) program caseload to Medi-Cal and the HFP. The CHDP program provides health assessments for early detection and prevention of disease and disabilities to children with family incomes up to 200 percent of the FPL. Since taking office, this Administration has expanded Medi-Cal and the HFP to provide comprehensive health care to an additional 1.1 million children. Most children who receive CHDP benefits are now eligible to receive comprehensive health care coverage from one of these two programs.

The CHDP program is currently funded with 90 percent State funding, while the Medi-Cal program receives a 50 percent federal match and the HFP receives a 65 percent federal match. Shifting CHDP-eligible children into either Medi-Cal or the HFP will allow the State to maximize the receipt of federal funds, producing savings of \$69.5 million (\$6.2 million General Fund and \$63.3 million Tobacco Settlement Fund).



The Budget restores \$10 million General Fund to the Expanded Access to Primary Care (EAPC) program in both 2001-02 and 2002-03 originally proposed for reduction in the November 2001 *Proposed Reduction in 2001-02 Spending* plan. The Budget also includes an additional \$17.5 million Tobacco Settlement Fund for the EAPC program to continue to provide health assessments to children with family incomes up to 200 percent of the FPL who are ineligible for either Medi-Cal or the HFP.

The Director of the Department of Health Services (DHS) will convene a stakeholder work group to solicit input on a comprehensive plan to implement this proposal that will maximize the number of CHDP children who will enroll in either Medi-Cal or the HFP. The outcome from this effort will be presented as part of the May Revision.

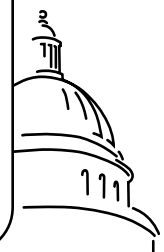
Childhood Lead Poisoning Prevention Program—To better protect California's children from the adverse effects of lead exposure and to help improve educational outcomes among these children, the Budget provides an increase of \$7.2 million and 8 positions (7.6 personnel years), to implement a comprehensive programmatic restructuring plan and to continue existing workload formerly performed by limited-term positions. The restructuring plan will provide for the reorganization, redesign, and implementation of a new, improved Childhood Lead program.

The benefits to children of this restructuring plan are numerous:

- ❖ More lead-exposed children will be identified, treated, and the source of their lead poisoning eliminated. With prevention of the long-term consequences of lead poisoning, these children will be able to more fully realize their educational potential. Costs for special education and other long-term support services will be reduced or prevented entirely.
- ❖ Sources of lead in the environment will be properly identified and managed, thus preventing future lead exposure and poisoning.
- ❖ The program will improve compliance with the Childhood Lead Poisoning Prevention Act of 1991 and other State and federal mandates.

This will be accomplished through the following activities:

- ❖ **Universal Reporting of Blood Lead Testing Results**—The DHS will now require laboratories to report all lead blood tests to the State.
- ❖ **Accountability Measures**—The DHS will implement a performance-based approach that includes specific outcome measures and performance targets at the State and local levels.



- ❖ **Increased Enforcement Provisions**—Proposed additional statutory enforcement tools will ensure that State and local jurisdictions have the means to reduce lead contamination in the homes of lead-exposed children and in other settings.
- ❖ **Improved Case Management Services Performed by Local Health Jurisdictions**—Improved case management will ensure that children with elevated lead levels are treated and that local sources of lead contamination are better identified and removed.
- ❖ **Increase in Childhood Lead Poisoning Prevention Fees Paid By Gasoline and Paint Manufacturers**—The Budget assumes that Childhood Lead Poisoning Prevention Fees will be increased to the limit currently authorized under program regulations.

Strengthening Long-Term Care

Despite the recent economic downturn, the Administration is maintaining its effort to protect California's elderly population. The Budget continues to pursue the goals of helping California's seniors remain at home and enhancing the quality of care in nursing facilities.

The DHS' Licensing and Certification (L&C) Program is responsible for the licensure and certification of California's nursing facilities to ensure quality patient care. The Budget includes \$28.1 million (\$12.3 million General Fund) to fulfill the goal of providing quality care to seniors, an increase of \$5.3 million (\$2.7 million General Fund) over the 2001 Budget Act.

The increase of \$5.3 million (\$2.7 million General Fund) and 55.5 positions will allow L&C to begin implementation of Chapter 684, Statutes of 2001 (AB 1075). This legislation requires a revised reimbursement methodology to be in place by August 1, 2004, and regulations, effective August 1, 2003, establishing revised staffing standards for nursing homes. These activities are aimed at increasing the quality of nursing home care, as well as ensuring beneficiary access to the appropriate level of care.

The new reimbursement methodology will be partially based on the acuity level of residents in each facility, allowing facilities to be reimbursed at a level that more closely matches actual costs.

Current law requires that facilities provide 3.2 hours of care per day to each patient. The new staffing standards will consist of a ratio of caregivers to patients, ensuring that sufficient medical staff is available at all times to meet the needs of nursing



home residents. Sufficient staffing is a major factor in providing the appropriate care to patients.

The Budget continues \$1.4 million (\$535,000 General Fund) provided in 2001-02 to further the goals of the Aging with Dignity Initiative to maintain the Centralized Complaint Unit (CCU), allowing the DHS to address nursing home complaints in a consistent and expedient manner.

Prior to the establishment of the CCU in 2001-02, nursing home complaints were directed to individual Medi-Cal field offices throughout the state. The prioritization of each complaint was addressed by the field offices. This sometimes resulted in inconsistent investigations and disciplinary actions. All complaints are now directed to the CCU for prioritization and assignment.

The Budget also includes \$21.4 million (\$9.1 million General Fund) in continued funding for the following activities, first undertaken in 2000-01:

- ❖ **Unannounced Inspections of Nursing Homes**—\$10.9 million (\$3.9 million General Fund) to increase the frequency and unpredictability of nursing home inspections.
- ❖ **Intensive Review of Poor-Performing Nursing Homes**—\$4.1 million (\$2.5 million General Fund) to expand a successful pilot program to provide increased review of nursing homes that fail to meet quality standards.
- ❖ **Rapid Response to Nursing Home Complaints**—\$3.9 million (\$2.2 million General Fund) to guarantee response within 48 hours to non-emergency complaints regarding patient care.
- ❖ **Fiscal Solvency Review Advisory Board**—\$500,000 General Fund for the Fiscal Solvency Review Advisory Board. The Board protects nursing home patients from unnecessary transfers and disruptive closures by recommending appropriate fiscal standards for nursing homes to prevent bankruptcies and interruptions in care.
- ❖ **Quality Awards Program for Exemplary Nursing Homes**—\$2 million (Federal Citation Penalties Account) remains from an original augmentation of \$10 million (\$8 million General Fund) to establish the Quality Awards Program. Due to the recent economic downturn, an \$8 million General Fund reduction is proposed in the Budget. However, \$2 million remains available to provide grants to facilities to fund innovative proposals that will further enhance patient care.

